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USAID FOR RDMA/BANGKOK AND ANE

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SUBJECT: The EPA in Indonesia: Growing Partnership Opportunities

1. (U) Summary: A recent U.S. Environmental Protection Agency (USEPA) visit to Indonesia has highlighted clear opportunities for environmental cooperation. Indonesian officials appreciated USEPA reengagement, and are eager to participate in the Methane-to-Markets program. The Indonesian Steering Committee for Improving Fuel Quality welcomed support on its road map towards low-sulphur fuels, and the City of Jakarta is a likely near-term partner to improve air quality. The Supreme Court is interested in a partnership to improve environmental governance. The Ministry of Environment requested consideration of a Memorandum of Understanding with USEPA, most likely addressing environmental governance issues. Other potential areas for cooperation include climate change, mercury, water quality, and industrial and agricultural waste. End Summary.

2. (U) Background: USEPA Senior Advisor for Asia Pacific Programs Mark Kasman met with numerous Indonesian officials and NGO representatives in late April to explore opportunities for USEPA collaboration and partnership in Indonesia. The USEPA does 80 percent of its international work in designated priority countries: Brazil, Russia, India, Indonesia, China, South Africa, Canada, Mexico, and the Caribbean. Indonesia was elevated to a priority country in January. The primary purpose of Mr. Kasman's mission was to consider how USEPA might stage increased collaboration with Indonesia. Immediate focus areas are climate change, clean fuels and vehicles, and environmental governance. Other areas for cooperation include addressing transboundary pollution, reducing mercury use, and improved air and water quality.

Strong Interest in Methane-to-Markets: Ministry of Energy

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3. (U) Dr. Lobo Balia, Assistant to the Minister of Energy and Mineral Resources, expressed interest in and support for Indonesia's inclusion in the Methane-to-Markets program (and formal transactions are expected). Methane-to-Markets focuses on methods of recapturing lost methane from coal mining and other sources. Dr. Balia stated that Indonesia's methane-related priority for the next five years is coal bed methane. The Indonesian government is in the process of developing the legal and commercial framework for capturing this additional resource from their vast reserves of coal and would welcome assistance. He requested USEPA send a formal Letter of Invitation to his Minister for Indonesia's inclusion in the Methane-to-Markets program. He also committed to follow up with a recommendation for signing. In a separate meeting, Aleksandra Barnes, City Director for the Clinton Foundation, suggested that landfill and solid waste methane capture would also likely provide productive partnerships.

Jakarta: Keen on Clean Air, Fuels Partnership

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4. (U) Clean air and fuels is a potentially rich area for cooperation and partnership. Indonesia currently meets the Euro 2 standard for vehicle exhaust emissions and desires to raise its standard to Euro 4. Discussions with Indonesian counterparts revealed the absence of a cost-benefit analysis for cleaner fuels. This is an area where USEPA could provide cost-benefit and pricing assistance. Specific programs for collaboration require further

study, but the Ministry of Environment, the Indonesian Steering Committee for Improving Fuel Quality, various NGOs, and the Jakarta City Government were notably receptive to the EPA's visit and interested in collaboration. They also signaled that the issue of cleaner fuels is mostly a financial and political issue (rather than a technical one) that is complicated by Indonesia's fuel subsidies.

15. (U) The Jakarta City Government stood out as a likely candidate for a focused partnership to improve air quality in Jakarta. Mr. Sutanto, Jakarta's Deputy Governor for Transportation and Industry, expressed intense interest in developing a partnership with USEPA and formal transactions are expected. Jakarta Governor Fauzi Bowo will travel to United States in September and a follow-up meeting is expected between USEPA and the Governor during this trip.

#### Supreme Court Interest in Judicial Training

16. (U) Judicial capacity building for environmental cases is another area ripe for USEPA partnership. The Indonesian Center for Environmental Law (ICEL) and officials of the Indonesian Supreme Court expressed enthusiasm and capacity for partnership with the USEPA. Prayekti Murharjati, Deputy Director for ICEL, welcomed USEPA's reengagement with Indonesia and referred to an ongoing judicial training partnership with Australia. Wiwiek Awiati, the lead for the Supreme Court's Judicial Reform Team, expressed enthusiasm for collaboration. She requested that USEPA send a formal letter requesting further discussion of potential collaboration with the Supreme Court Chief Justice. Awiati and Kasman both articulated the need to prevent duplication of efforts.

#### Other Potential Areas of Cooperation

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17. (U) There are several other areas that have potential for developing USEPA collaboration. These include work on climate change, mercury reduction from mining, and improved water quality through water safety plans. Bill Parente, Chief of Party of USAID's Environmental Services Program, indicated opportunities existed in industrial and agricultural waste and water quality, though funding was an issue. Paul Hartman, Chief of Party of USAID's Orangutan Conservation Services Program expressed an interest in building targeted judicial training into some of its provincial conservation efforts.

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